

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 L-03 H-02 PA-01

PRS-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 USIA-06

XMB-02 OPIC-03 LAB-04 SIL-01 /087 W

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R 271643Z FEB 76

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 9382

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PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: EFIN, EAID, IBRD

SUBJECT: INTERNATIONAL DEVELOPMENT ASSOCIATION FIFTH
REPLENISHMENT (IDA V) MEETING

SUMMARY: AT UNEVENTFUL SECOND MEETING OF DEPUTIES ON THE IDA V REPLENIQHMENT HELD IN LONDON ON FEBRUARY 26, THE MAJOR POINTS OF DISCUSSION INCLUDED THE SIZE OF IDA V, METHOD OF PAYMENT, MAINTENANCE OF VALUE AND DEVELOPING COUNTRIES' VOTING POWER. NO CLEAR CONSENSUS EMERGED ON THE SIZE ISSUE WITH MOST DELEGATIONS REPEATING POSITIONS PREVIOUSLY STATED IN PARIS. ON THE METHOD OF PAYMERT ISSUE ALMOST ALL COUNTRIES FAVORED THREE ANNUAL INSTALMENTS WITH EQUAL OBLIGATIONS FOR ALL. THE US RESERVED ITS POSITION WHILE STRESSING IMPORTANCE TO IT OF THIS ISSUE. EXCEPT FOR THE NETHERLANDS, NO ONE ENDORSED A MAINTENANCE OF VALUE PROVISION IN THE AGREEMENT. THERE WAS VIRTUALLY NO SUPPORT FOR SWEDISH PROPOSAL TO INCREASE THE DEVELOPINE COUNTRIES' VOTING POWER BUT NO CONCLUSION REACHED. KUWAIT WAS THE ONLY OPEC MEMBER WHICH PARTICIPATED ACTIVELY IN THE DISCUSSION. THE NEXT DEPUTIES

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MEETING WAS TENTATIVELY SET FOR EARLY JUNE. END SUMMARY

1. THE SECOND MEETING OF THE DEPUTIES IN THE IDA V RE-
PLENISHMENT WAS HELD IN LONDON WITH NO UNEXPECTED RESULTS.
THE PRINCIPAL TOPIC OF DISCUSSION WAS THE APPROPRIATE
SIZE OF IDA V ON WHICH THE BANK MANAGEMENT WISHED TO REACH
AN AGREEMENT IN PRINCIPLE. WHILE MANY COUNTRIES STATED
THAT THEY FAVORED A QUOTE REAL INCREASE UNQUOTE IN IDA V
OVER IDA IV IN ADDITION TO AN ADJUSTMENT FOR INFLATION,
THERE WAS NO AGREEMENT ON HOW TO CALCULATE SUCH AN IN-
CREASE. THE NETHERLANDS, KUWAIT, THE UK AND NORWAY SUP-
PORTED THE BANK'S \$9 BILLION FIGURE WITH THE REST OF
THE DONORS SUGGESTING VARIOUS FORMULAE WHICH WOULD RESULT
IN A SMALLER REPLENISHMENT. THE CANADIANS ADVANCED THE
IDEA OF A THRESHOLD FIGURE OF \$7.4 BILLION OVER WHICH
ANYTHING WOULD CONSTITUTE A REAL INCREASE IN IDA V OVER
IDA IV. A NUMBER OF DELEGATES STRESSED THE NEED FOR OTHER
TRADITIONAL DONORS TO MAINTAIN THEIR SHARE AS WELL AS
OBTAINING OPEC PARTICIPATION. AT THE BEGINNING OF THE
DISCUSSION CARGILL HAD COMMENTED THAT FOLLOWING HIS TALKS
WITH POTENTIAL OPEC DONORS HE WOULD ONLY REPEAT HIS QUOTE
HOPE AND EXPECTATION THAT THEY WILL CONTRIBUTE SIGNIFI-
CANTLY UNQUOTE. THE US REPRESENTATIVE STATED OUR CONTINU-
ING SUPPORT FOR IDA BUT NOTED THAT US IS UNABLE TO MAKE A
COMMITMENT OF SIZE OR SHARES GIVEN THE CURRENT STATUS OF
THE APPROPRIATION PROCESS FOR IDA IV. HE EXPLAINED THE
GENERAL CONGRESSIONAL DIFFICULTIES WITH MULTI-YEAR COMMIT-
MENT AND THE PARTICULAR PROBLEM WITH IDA BECAUSE OF THE
FOUR YEAR STRETCH OUT OF CONTRIBUTIONS. IN SUMMARY HE CALLED
FOR A REALISTIC TARGET SO THAT A SUCCESSFUL NEGOTIATION
DID NOT LATER TURN TO POLITICAL FAILURE.

2. CARGILL INDICATED THAT FOR THE NEXT MEETING THE BANK
STAFF WOULD PRODUCE ANOTHER PAPER ON THE SIZE OF IDA V
PROBABLY INCORPORATING THE CANADIAN CONCEPT OF A THRESH-

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HOLD AMOUNT. HE ALSO AGREED TO PROVIDE FIGURES ON ANNUAL DISBURSEMENTS REQUESTED BY US DELEGATE. HE EXPRESSED THE HOPE THAT AT THE NEXT MEETING AGREEMENT ON A PRECISE FIGURE COULD BE REACHED.

3. REGARDING METHOD OF PAYMENT -- GERMANY BEGAN THE DISCUSSION BY CALLING FOR THREE ANNUAL INSTALLMENTS WITH EQUAL LEGAL OBLIGATIONS FOR ALL. FRANCE, IRELAND, JAPAN, AUSTRIA AND AUSTRALIA SUPPORTED THIS CONCEPT WITH THE US AND CANADA PRESENTING THE ONLY DIFFERING OPINION.

4. IN THE MAINTENANCE OF VALUE DISCUSSION ONLY THE NETHERLANDS SUGGESTED FURTHER STUDY OF THE IDEA. ALL OTHER SPEAKERQ COMPLETELY REJECTED THE PROPOSAL WHICH IS NOW AGREED TO BE DEAD ISSUE AS REGARDS IDA V.

5. THE SWEDISH DELEGATE WAS ALONE IN HIS STRONG FEELING ON THE ADJUSTMENT OF VOTING POWERS. KUWAIT, YUGOSLAVIA, CANADA AND CARGILL AGREED THAT THE MAJOR RESTRUCTURING THE SWEDISH DELEGATE PROPOSED (A 50-50 SPLIT BETWEEN DEVELOPED AND DEVELOPING COUNTRIES' VOTING POWER) WOULD HAVE LIMITED OFFICIAL USE

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TO BE TAKEN UP IN THE BOARD. THE GERMAN DELEGATION PROPOSED AN INFORMAL DISCUSSION WITH BANK STAFF ON THIS ISSUE AND FURTHER CALLED FOR FLEXIBILITY WHEN CONSIDERING THE VOTING POUER OF NEW OPEC DONORS. THE US REPRESENTATIVE ENDORSED THIS VIEW.

6. CARGILL SET THE NEXT MEETING FOR EARLY JUNE IN EUROPE AT A SITE AS YET UNDETERMINED.

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